



February 17, 2012

Jocelyn G. Boyd, Esquire
Chief Clerk/Administrator
The Public Service Commission of South Carolina
P. O. Drawer 11649
Columbia, South Carolina 29211

Re: Experimental Residential Prepay Pilot Program
Docket No. 2009-190-E

Dear Mrs. Boyd:

In accordance with Public Service Commission ("the Commission") Order No. 2009-373 issued in Docket No. 2008-151-E and S.C. Code Ann. § 58-27-250, Progress Energy Carolinas, Inc. ("PEC") submits for Commission approval PEC's proposed experimental tariff, Residential Service-Prepay Pilot Program Schedule RPP-18 ("Prepay" or "the Program").

Participants in Prepay will pay in advance for their energy use, rather than being billed for usage after it has occurred. Prepay is designed to facilitate customers' control over their energy use and enable bill management for residential customers by providing customers with daily usage information and allowing customers to pay the amount they choose when they choose, thereby avoiding unexpectedly high bills and non-pay disconnects. Participation in the Program will be voluntary, and limited to specified geographical areas as explained in the attached "PEC DSM/EE Program Approval Request" (hereinafter referred to as the "Filing package"). Prepay provides PEC with the ability to measure and validate the achievable energy savings and potential coincident peak impacts associated with implementing Prepay.

The bill payment flexibility sought under Prepay does not strictly conform to a number of existing Commission rules. Therefore, PEC requests that the Commission waive all (or specified portions) of certain Commission Rules which are attached as Appendix A in the Filing package.

All required bill inserts and other regulatory notices required during the Program will only be furnished in electronic format. This is consistent with the form provided to current customers requesting e-bills (electronic bill statements provided by e-mail rather than U.S. postal service).

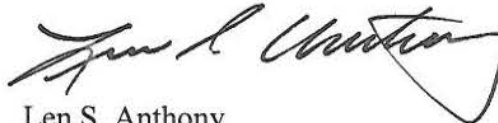
As described in the Filing package, this Program will be initially funded by a United States Department of Energy designated American Recovery and Reinvestment Act ("ARRA/DOE") grant which expires on April 27, 2013. Consistent with the Program parameters, all costs associated with the Program after April 27, 2013 will be funded from PEC's

general funds. These costs will continue to be subject to cost recovery consistent with the Commission Order No. 2009-373 issued in Docket No. 2008-151-E.

PEC requests that the Commission:

1. Approve PEC's Residential Prepay Pilot Program, including the experimental tariff, Residential Service – Prepay Pilot Program Schedule RPP-18 at its earliest convenience but no later than March 31, 2012; and
2. Find that all costs incurred by PEC associated with the Program upon exhaustion of the ARRA/DOE funds expected on or around April 27, 2013 will be eligible for cost recovery in accordance with Commission Order No. 2009-373 issued in Docket No. 2008-151-E.

Very truly yours,

A handwritten signature in black ink, appearing to read "Len S. Anthony", with a large, stylized loop at the end.

Len S. Anthony
General Counsel
Progress Energy Carolinas, Inc.

LSA:mhm

Enclosure

cc: Nanette Edwards, ORS

STAREG2243

**PEC DSM/EE PROGRAM APPROVAL REQUEST
COVER PAGE**

SCPSC 2009-190-E

Program Name: Residential Prepay Pilot Program (Experimental)
Program Type: Energy Efficiency
Target Class: Residential Progress Energy Carolinas Customers
Target End-uses: All Residential Electric End-Uses Can Be Affected By This Program
Duration: Approval date – December 31, 2014

In accordance with the Public Service Commission of South Carolina's ("SCPSC" or "the Commission") June 26, 2009 Order No. 2009-373 issued in Docket No. 2008-151-E , Progress Energy Carolinas, Inc. ("PEC") respectfully submits the attached request for approval of the experimental Residential Prepay Pilot Program ("Prepay").

Program Description

The primary objectives of Prepay are to measure and validate the achieved energy and capacity savings resulting from offering customers a prepaid payment option, and to better understand the drivers and persistence behind the associated energy savings. Similar programs report energy savings from 10% - 15%. The Prepay Pilot will also help PEC to determine the market for Prepay, examine customer behavior while on Prepay, determine customer motives, and evaluate customer preferences regarding payment channels and communication methods.

Consideration to be Offered

Participants will have access to a web portal and ability to make cash payments prior to consumption of electricity. Participants will not be charged a security deposit, disconnect fees, or reconnect fees; and will have access to multiple self-selected communication channels, including phone calls, email, integrated voice response (IVR), and text messaging to schedule notifications or alerts regarding their usage and account balance. In addition, up to 250 in-home displays will be available to participants on a first come, first served basis.

Total Cost of the Program (4-Year Summary)

Year	ARRA (\$000)	PEC General Funds (\$000)	Totals (\$000)
2011	\$ 885	\$ 0	\$ 885
2012	2,046	0	2,046
2013	405	223	729
2014	0	424	424
Total	\$ 3,336	\$ 647	\$ 4,084

Proposed Funding

Prepay costs will be funded from a Department Of Energy (“DOE”) designated American Recovery and Reinvestment Act (“ARRA”) grant for the period of February 2011 – April 2013. All remaining costs eligible for recovery will be funded from PEC’s general funds. These remaining costs will be subject to cost recovery through a DSM/EE annual cost-recovery rider consistent with the Commission’s Ruling in Docket No. 2008-151-E.

Residential Prepay Pilot Program

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Program Description

Overview

The primary objectives of Prepay are to measure and validate the achieved energy and capacity savings resulting from offering customers a prepaid payment option, and to better understand the drivers and persistence behind the associated energy savings. Similar programs report energy savings from 10% - 15%. The Prepay Pilot will also help PEC to determine the market for Prepay, examine customer behavior while on Prepay, determine customer motives, and evaluate customer preferences regarding payment channels and communication methods.

As an alternative to a monthly bill with a pre-determined payment due date, Prepay allows a customer to deposit a lump sum into an account where charges are deducted in real time as energy is consumed. As the account balance diminishes, customers may deposit additional funds to continue consuming energy with no break in service.

Prepay is limited to no more than 1,000 customers who meet eligibility requirements. Areas selected are: Raleigh, NC (zip codes: 27601, 27603, 27606, 27609, 27610), Fayetteville, NC (zip codes: 28311, 28303), Spring Lake, NC (zip codes: 28390), Jacksonville, NC (zip codes: 28540, 28546), and Florence, SC (zip codes: 29501, 29505). The zip codes selected contain a wide variety of customer segmentation types. This will allow PEC to gather data and understand the segments of customers who may choose to enroll in Prepay to help benefit the company in the design of a potential long-term program. Ideally, up to 250 participants in each area will elect to enroll in Prepay. However, if an area does not provide 250 participants in a timely manner, participation may be increased in other selected areas.

Implementation

Eligible customers will be solicited initially via direct mail and email to explain Prepay and provide information on how to enroll. Customers interested in participating in Prepay will be verified for eligibility, surveyed at enrollment (to be used later for Evaluation, Measurement and Verification ("EM&V")), and provided education on Prepay so that customers fully understand how Prepay operates.

Participants will receive a new meter with advanced capabilities including remote connect/disconnect and daily automated meter reads utilizing a 2-way communication network. The customer will not need to be home in order for the meter to be installed. A welcome package will be left at the customer's home to provide information on Prepay, payment locations, and to notify the customer that the meter has been exchanged. This information will also be available for the customer to view via the web portal program detail page.

The transition of existing customers to Prepay billing will require a final post-pay bill for all usage up to the date of the transition and the corresponding meter exchange. After the due date for this final bill, any deposit, plus interest, that is held will be used against any arrears with the balance being applied as a credit to the Prepay account. If the account still has an arrearage, the arrears will be applied to the Prepay account along with any late payment or other charges that might be applicable. Twenty-five percent (25%) of each future prepayment will be applied to the

arrears amount until it is paid in full. If initial service is requested under Prepay, any one-time service charges or other charges must be paid up-front to initiate service.

Prepay participants will not receive paper bills or paper communications throughout the program. Participants will be provided with a choice of multiple communication channels, including a specially designed web portal, which may be accessed via a smart phone, emails, text messages, phone calls, or an optional in-home display device (described below), all of which are self-selected by the customer. These communications provide the customer ways to monitor daily usage shown in number of days of power remaining, dollars remaining, and kWh remaining. Additional account history information is available via the web portal such as a graph showing hourly interval usage, payments made, etc. Participants may access the web portal 7 days a week, 24 hours a day and may set preferences for the type of communications they wish to receive. At least one alert type is mandatory; however, the customer may select multiple (or all) types if so desired. Once participants have selected their preferred communication channel(s), they will then receive any Prepay notifications, payment notifications, and balance notifications via their preferred channel(s).

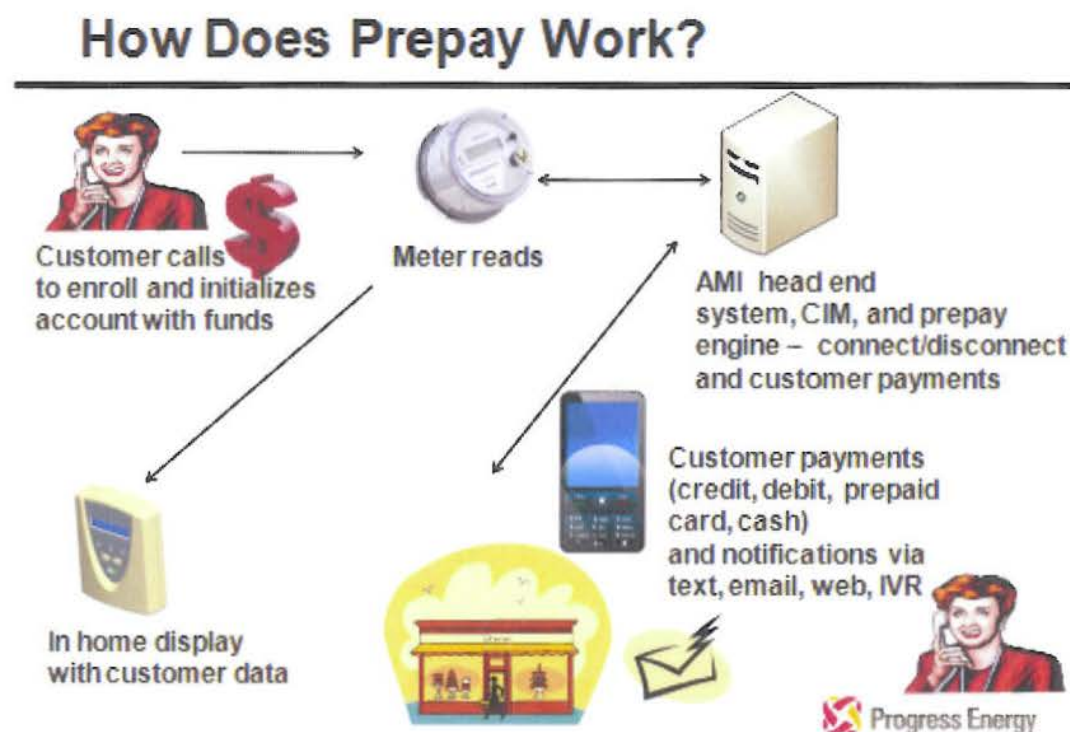
Up to 250 in-home displays will be provided to Prepay participants on a first come, first served basis. Customers may request a display or may be offered one if they do not have access to internet service, email or a mobile device. There is no charge for the in-home display to the customer during Prepay. In-home displays will not provide payment options, but will display usage information, including daily, weekly, and monthly usage (kWh), and electric balance remaining in days and dollars (based on the customer's average daily use). Participants who elect to receive an in-home display will receive it as part of the welcome package when the Prepay meter is installed. The in-home display will go through a process to "join" it to the meter by PEC meter personnel before providing it to the customer. Upon receipt of the device, the customer simply plugs it in to any household outlet to start receiving information. In the event the in-home display device is damaged by acts of the customer or others, the customer shall pay a replacement charge. Correspondingly, if the customer fails to return the in-home display device to the company when the customer discontinues receiving service before conclusion of the Prepay pilot, the replacement cost shall be charged to the customer. The Company reserves the right to transfer ownership of the device to the customer at the end of the Prepay pilot.

Prepay participants will be able to make payments using a variety of channels. As long as there is a positive account balance, no minimum payment amount is required; so, customers may choose a payment frequency and amount that work best for them based on their lifestyle preferences. The customer should not utilize payment methods other than those included as part of the Prepay program, as referenced in the Residential Service - Prepay Pilot Program Schedule RPP-18 Rider (Experimental) ("Tariff") and attached in Appendix B, as such methods will cause substantial delays in posting payments to Prepay and may result in disconnection until the payment posts. In the event of extreme weather moratorium, customers will be notified via their preferred communication channel when the event starts and ends. Disconnects will resume at the daily set time the day after the moratorium is lifted. A minimum payment based on the customer's average usage, is required to reconnect a disconnected account. The customer is responsible for any processing fees associated with their chosen method of payment. All participants will be informed of any associated Prepay fees, such as payment processing fees, upon enrollment.

Once a customer reaches a balance equivalent to 10 days of power remaining, they will receive a notification each day until a payment is made, or until they are disconnected. Any disconnects will occur at approximately 10 a.m., and can occur on any day including weekends and holidays. No disconnect or reconnect fees will be charged. Reconnects can occur at any time following a disconnect order once the customer recharges their account. Reconnects are expected to occur within 2 hours of payments made via program payment channels.

Customers that move while enrolled in Prepay may be de-enrolled if they no longer meet the eligibility criteria. Customers may also choose to de-enroll at any time. The Prepay meter will be removed from the premise when a customer exits Prepay and/or at the conclusion of the program.

The following diagram illustrates the Prepay process from enrollment to payment for customers:



Program Objective

The primary objectives of Prepay are to measure and validate the achieved energy and capacity savings resulting from offering customers a prepaid payment option, and to better understand the drivers and persistence behind the associated energy savings. Similar programs report energy savings from 10% - 15%. The Prepay Pilot will also help PEC to determine the market for Prepay, examine customer behavior while on Prepay, determine customer motives, and evaluate customer preferences regarding payment channels and communication methods.

Program Duration

Prepay is designed to run through December 31, 2014.

Targeted Sector and Eligibility Requirements

PEC new and existing residential customers must meet the following eligibility criteria as defined in the Tariff, some of which are summarized below:

1. Customers must reside in one of the following zip codes:
 - a. Florence: 29501, and 29505
 - b. Fayetteville:, 28303, and 28311
 - c. Spring Lake: 28390
 - d. Jacksonville: 28540, and 28546
 - e. Raleigh: 27601, 27603, 27606, 27609, and 27610
2. Customer may receive service under the Street Lighting Service (Residential Subdivision) Schedule SLR and the Residential Service - Load Control Rider LC-SUM-2 (EnergyWise), but may not participate in any other regulated or non-regulated products or services with the exception of PEC's standard energy efficiency program offerings.
3. Customer may not participate in the following while participating in Prepay:
 - a. Equal Payment Plan (EPP)
 - b. Bank Draft
 - c. e-bill
 - d. Preference Pay
 - e. Deferred Payment Plan (DPP)
 - f. Long-Term Payment Plan (LPP)
4. Residences participating in Landlord Agreements Docket No. 95-652-E are not eligible to participate in the program.
5. Customer cannot have an arrears balance that exceeds one month of metered service at the time of application.
6. Customers subject to the November-March disconnect moratorium (Commission Regulation 103-352(a)(3)(b)) or with a Special Service Termination (SST) code that prevents disconnection of service during certain times are not eligible. These include:
 - a. Life support equipment (SST code 1)

- b. Disabled (SST code 4)
 - c. Seriously or chronically ill (SST code 5)
 - d. Moratorium (SST code 2)
7. A minimum starting balance of 3 days of power based on average usage must be paid before the Prepay meter is installed.
 8. Residence must receive adequate cellular service in order for the meter to communicate with the pilot program infrastructure.

Communication Costs and Examples

Communications Cost	
Year	Amounts (\$000)
2012	\$ 240
2013	3
2014	6
Total	\$ 249

Communications materials will be developed early 2012; therefore, examples are not yet available. Proposed forms of communication materials are: direct mail; email; and a welcome kit consisting of program information.

Estimated Number of Participants

During Prepay, as customers leave the program, PEC will accept new customers during the ARRA grant window. After the grant window, PEC will strive to manage costs while maintaining a large sample size to the extent reasonably possible. The Company's estimated number of Prepay participants is provided in the following table:

Estimated Number of Participants (Cumulative)	
Year	Participants
2012	1,000
2013	1,000
2014	1,000

Prepay is limited to no more than 1,000 customers in North and South Carolina. After the expiration of ARRA funds in 2013, new customers will not be enrolled into Prepay but rather existing customers participating in Prepay will be supported through the duration of the program.

Program Impacts

The results of Prepay, including program impacts, will be provided to the Commission upon completion of the final EM&V report.

Other Relevant Information

Prepay does not conform to a number of existing Commission regulations due to the unique nature of how Prepay functions. Therefore, as part of the process of requesting regulatory approval of Prepay, PEC requests the Commission waive all (or specified portions) of the following Commission Regulations which are further defined in Appendix A:

1. Regulation 103-321. Meter Reading
2. Regulation 103-339. Customer Billing
3. Regulation 103-340. Adjustment of Bills
4. Regulation 103-352. Procedures for Termination of Service

Additional Information

Proposed Marketing Plan

PEC will use an integrated approach to market Prepay. These marketing efforts are designed to inform consumers of payment options to fit their individualized lifestyles, understand energy costs, create customer awareness of the program, educate customers on energy saving opportunities, and emphasize convenience of participation. Email and direct mail sent to selected zip codes will be used to market Prepay.

Market Potential and Estimated Market Growth

Year	Eligible Market Potential
2012	30,000
2013	30,000
2014	30,000

Estimated Summer and Winter Peak Demand Reductions

Refer to Program Impacts Section.

Estimated Energy Reduction

Refer to Program Impacts Section.

Estimated Lost Energy Sales

Refer to Program Impacts Section.

Estimated Load Shape Impacts

Refer to Program Impacts Section.

Costs and Benefits

Total and Per Unit Cost and Benefit

Eligible program costs, outside those funded with DOE designated ARRA funds, will be subject to recovery through the DSM/EE Rider. Eligible program costs will consist of Operation and Maintenance (O&M) costs which may include but are not limited to: labor, outside contractors, maintenance of new infrastructure, computer software, telecommunications services, materials and supplies. Eligible program expenditures incurred, net of ARRA funded amounts, will be recognized in the accounting periods in which they occur.

Program O&M Cost Projections by Type

Year	Program Administration (\$000)	Communications (\$000)	EM&V (\$000)	Total (\$000)
ARRA Funds				
2011	\$ 885	\$ 0	\$ 0	\$ 885
2012	1,754	240	52	2,046
2013	368	3	34	405
2014	0	0	0	0
Subtotal	\$ 3,007	\$ 243	\$ 86	\$ 3,336
PEC's General Funds				
2011	\$ 0	\$ 0	\$ 0	\$ 0
2012	0	0	0	0
2013	221	3	100	324
2014	358	6	60*	424
Subtotal	\$ 579	\$ 9	\$ 160	\$ 748
Total	\$ 3,586	\$ 252	\$ 246	\$ 4,084

* Because M&V activities normally lag program administration activities, some portion of M&V related costs will be incurred in a subsequent year.

The following table contains a summary of total categorized Prepay costs and unitized costs reported on the basis of Prepay benefits.

Cost Element	Cost (\$000)	Cost/Unit
Program Administration	\$ 3,586	\$ 3,586
Communications	252	252
EM&V	246	246
Total	\$ 4,084	\$ 4,084

Participation Incentives

Financial incentives are not offered; however, up to 250 in-home display devices will be offered to participants.

Service Limitations or Conditions Imposed on Non-Participants

The Company has not proposed any conditions or limitations for customers that do not wish to participate in the Prepay. Participation in this Prepay is strictly voluntary.

Cost-Effectiveness Evaluation

The primary objectives of Prepay are to measure and validate the achieved energy and capacity savings resulting from offering customers a prepaid payment option, and to better understand the drivers and persistence behind the associated energy savings. Similar programs report energy savings from 10% - 15

Integrated Resource Plan

PEC's 2011 Integrated Resource Plan shows a need for additional resources throughout the 15year planning horizon. The plan also noted that PEC is actively pursuing expansion of its demand-side management ("DSM") and energy efficiency (EE) programs as one of the most effective ways to reduce energy costs, offset the need for new power plants, and protect the environment.

Cost Recovery Mechanism

The portion of program costs to be recovered through the DSM/EE Rider will consist of eligible Operation and Maintenance (O&M) costs, which include but are not limited to: labor, outside contractors, maintenance of new infrastructure, computer software, telecommunications services,

materials and supplies. Eligible program expenditures, net of ARRA funded amounts, will be recognized in the accounting periods in which they occur.

In summary PEC will recover through the DSM/EE Rider:

1. O&M dollars, net of DOE designated ARRA grant funding, recognized in the period in which they occur;
2. An appropriate incentive described later in the Utility Incentives section of this filing.

Estimate of Avoided Capacity and Energy Costs

Refer to Program Impacts Section.

Estimate of Participation Incentives

Refer to Participation Incentives Section.

Cost Allocation

Program costs will be allocated as follows:

1. Jurisdictional Allocation (all costs recovered from retail jurisdiction – North Carolina and South Carolina): Energy Efficiency cost allocations will be based upon energy/sales allocation.
2. Rate Class Allocation: Allocated jurisdictional costs will be assigned to PEC's residential rate class (Schedules: RES, R-TOUD, and R-TOUE)

Proposed Capitalization Period for Long Lived Program Costs

The Company will capitalize program costs in accordance with the Company's capitalization policy. The capital assets will be funded with ARRA dollars which will reduce their accounting book basis.

Estimated Measurement and Verification Costs

The Company's estimated measurement and verification costs for this Program are provided in the following table:

Estimated Measurement and Verification Costs	
2011	\$ 0
2012	52
2013	134
2014	60*
Total	\$ 246

** Because M&V activities normally lag program administration activities, some portion of M&V related costs will be incurred in a subsequent year.*

Measurement and Verification Reporting Plan

PEC plans to use an independent, third-party consultant specializing in the measurement and verification of energy efficiency program impacts to provide the appropriate EM&V support. The evaluation plan designed to measure the demand and energy impacts of the Prepay Program follows:

Objectives

EM&V activities will provide independent, third-party estimation of energy and peak demand savings as well as an evaluation of customer satisfaction and behavioral change leading to energy conservation. Specific objectives include the following:

- Estimate the amount of observed energy savings and peak demand reductions resulting from participation in Prepay;
- Identify the specific program-induced behaviors and efficiency measures that contribute to reductions in consumption;
- Identify Prepay elements that contribute to greater conservation effects (e.g., frequency of low-balance alerts; presence of in-home display);
- Determine whether different subgroups of participants achieve greater levels of conservation and/or satisfaction with Prepay.

Impact Evaluation

The initial impact analysis tasks will consist of sample design, data collection activities and determining analysis methodologies.

Sample Design

All customers on Prepay (approximately 1,000) will constitute the participant sample for EM&V purposes. A control group consisting of the same number of non-participants (or a multiple of the participant count) will be selected in order to control for factors other than participation and weather that may alter energy consumption. The control group will be matched to the participant group in terms of observable characteristics, primarily monthly electricity consumption patterns.

Data Collection

Data utilized for EM&V will include program databases; customer billing data, paper and electronic records of program-related transactions; weather data; and telephone survey results. Monthly billing data before and after Prepay start-up will be used for each individual customer that is either a program participant or a member of a selected control group. A complete year of data is desirable to be able to evaluate changes in achieved savings levels across the seasons; however, since some customers who may be interested in Prepay may be more transient than the average customer, Prepay will be open to customers who have less than a full year of billing history at their current address.

The main purpose of a control group is to ensure that any predicted savings among participants are due solely to participation in Prepay. The control group allows the statistical methods of analysis employed to remove factors leading to changes in energy use outside of program participation such as a declining economy.

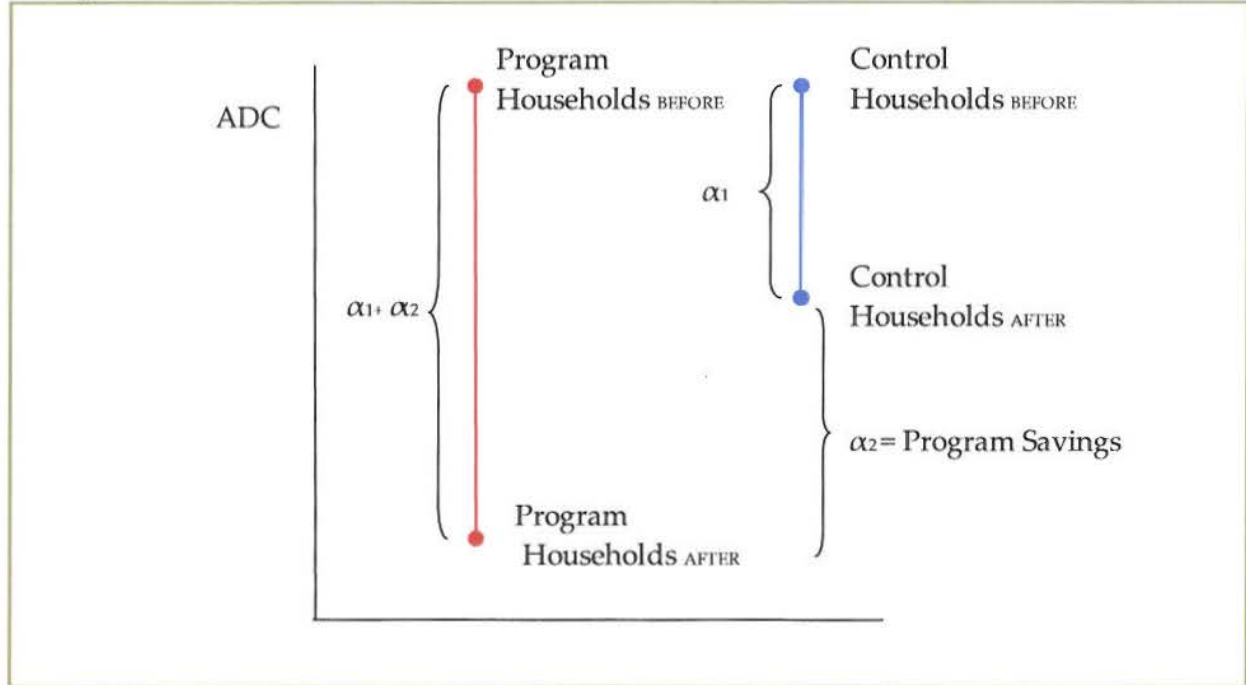
Measurement and Verification Methods

Data Analysis

Linear fixed effects regression (LFE) analysis will be used to estimate net energy savings due to Prepay. This analysis has been applied widely in analyzing savings for other utility programs that induce changes in customer behavior, including at Puget Sound Energy, Sacramento Metropolitan Utility District, Commonwealth Edison, and National Grid. It generates a difference-in-differences estimate of program savings. Figure 1 provides an illustration of the difference-in-differences concept and its relationship to the estimation of program savings.

In the figure, average daily consumption (ADC) of energy (kWh) is initially the same for program and control households, because the control group is selected explicitly to match the participant group's consumption level and patterns. Average daily consumption for program households declines after the start of the program by the amount $\alpha_1 + \alpha_2$, but it is inappropriate to conclude that this is entirely due to the program, because other factors affecting all households, such as broad economic changes, are also in play. These other factors also affect the control households, though—as shown in the figure—and so the difference between the change in ADC over time for program households ($\alpha_1 + \alpha_2$) and for control households (α_1) is the portion of the reduction in ADC attributable to the program (that is, α_2).

Figure 1. Fixed Effects Regression Analysis Provides a Difference-in-Difference Estimator of Program Savings



The linear fixed effects regression approach to be used in the impact analysis is ideal for separately identifying the reduction amounts α_1 and α_2 . Formally, letting $Post_t$ denote a dummy variable indicating whether period t is in the post-program period, and letting $Treatment_k$ denote a dummy variable indicating whether household k is a program household, the simplest version of the model is the following:

$$ADC_{kt} = \alpha_{0k} + \alpha_1 Post_t + \alpha_2 Treatment_k \cdot Post_t + \varepsilon_{kt}, \quad (1)$$

where ε_{kt} is the error term. Note that the constant term is indexed by the household; this is the household's fixed effect. This model can be estimated using ordinary least squares (OLS) regression to generate an unbiased estimate of average daily savings, α_2 .¹

The simple LFER model described above can be expanded to include two other types of variables: those that change over time, such as weather-related variables or the participation in other energy efficiency programs, and those that are fixed over time but change across households, such as housing/household characteristics. For each of the variables that change over time, four terms are added to the model: the variable itself; the variable interacted with $Treatment_k$ to capture differential effects of the variable due to treatment category; the variable interacted with $Post_t$ to capture differential effects of the variable due to exogenous shocks

¹ To use OLS regression the data is first de-meaned to eliminate the household-specific constants from the analysis, thereby significantly reducing the number of parameters to be estimated.

across the pre- and post-program periods; and the variable interacted with the interaction $Treatment_k \cdot Post_t$ to capture the effect of the variable on the treatment response (that is, how the variable affects program savings). For each of the variables that do not change over time, only two terms are added to the model: the variable interacted with $Post_t$, and the variable interacted with the interaction $Treatment_k \cdot Post_t$.

Formally, we define \mathbf{W}_t as a vector of variables that change over time, where the subscript indexes the values of the variables in month t , and we define \mathbf{Z}_k as a vector of housing/household characteristics for household k . In this case, we expand our linear model to:

$$\begin{aligned} ADC_{kt} = & \alpha_{0k} + \alpha_1 Post_t + \alpha_2 Treatment_k \cdot Post_t \\ & + \beta_0 \mathbf{W}_t + \beta_1 \mathbf{W}_t \cdot Treatment_k + \beta_2 \mathbf{W}_t \cdot Post_t + \beta_3 \mathbf{W}_t \cdot Treatment_k \cdot Post_t \\ & + \delta_0 \mathbf{Z}_k \cdot Post_t + \delta_1 \mathbf{Z}_k \cdot Treatment_k \cdot Post_t + \varepsilon_{kt} \end{aligned} \quad (2)$$

where the coefficients β_i and δ_i denote the set of coefficients associated with the variable sets \mathbf{W}_t and \mathbf{Z}_k , respectively. In this model, the average daily savings (ADS) is the sum of all the terms multiplying the interaction term $Treatment_k \cdot Post_t$:

$$ADS_{kt} = \alpha_2 + \beta_3 \mathbf{W}_t + \delta_1 \mathbf{Z}_k \quad (3)$$

From the above Equation (3), average daily savings are conditional on the values of \mathbf{W}_t and \mathbf{Z}_k . In other words, whereas the simple LFER model allows the overall average daily savings for the program over the specified period, the expanded model allows analysis of how certain variables such as weather variables affect savings.

Impact of behavior changes vs. efficiency measures

Customer surveys will supplement the analysis to confirm behavior changes and efficiency measures (including purchases of high-efficiency equipment installation of energy-saving measures such as attic insulation) likely to contribute to the energy and peak load reductions. By correlating these self-reported changes in the household situation with the observed energy consumption, the EM&V team may be able to isolate the savings impacts due to behavioral changes versus efficiency measures. This information may also allow for an estimation of peak load reductions—for example, due to known load shapes of air conditioner usage or from reported activities occurring during peak hours.

Persistence of savings

Persistence of savings will be assessed by comparing participant consumption to the control group in the first year of the program and again at the conclusion of the program. If a participant moves residences during the program, their billing data subsequent to the move will be dropped from the analysis. However, any permanent measures performed or equipment purchased as a result of the program could be considered to provide continued savings; furthermore, persistence in behavior can be assumed if the analysis shows that conservation occurs throughout the program period, rather than just after low-balance notifications or when account balances are low. Additionally, the information on efficiency measures will provide insight into persistence

since the evaluation can leverage available secondary data regarding the useful lifetimes for various categories of equipment and measures.

Net savings

The analysis inherently estimates “net” savings in that none of the Prepay participants could have been on the Prepay billing plan without the existence of the program. While some participants may have taken energy conserving actions or purchased high efficiency equipment anyway, the matched control group is designed to ensure that the control group can be expected to exhibit the same degree of energy conserving behavior and purchases. Thus, there is no free ridership, and no “net-to-gross” adjustment is necessary.

PEC will provide the monthly usage data required to perform the statistical bill analyses, as well as oversee the EM&V effort to ensure its timely and comprehensive execution. However, the EM&V work will be conducted by the independent consultant.

Process Evaluation

The process evaluation will provide customer feedback and help to identify behaviors and measures leading to energy savings. Process evaluation will include two primary data collection activities:

- **Interviews with PEC program managers and contractor staff.** These interviews will confirm the evaluation team’s understanding of Prepay, how it is being administered, and the unique bill payment procedures and options offered to participants. Interviews will address feedback to date from customers and initial opinions of how customers are responding.
- **Participant Surveys.** The participant surveys will be conducted by email/web (supplemented by telephone) for a minimum of 100 customers at the beginning, middle, and end of Prepay. The surveys have several objectives:
 - Provide demographic information for use in understanding how Prepay affects different subgroups of the population (e.g., by age, income, home ownership, etc.)
 - Assess customer satisfaction, including benefits of Prepay and any difficulties resulting from temporary shut-off of service
 - Elicit ideas for improvements in Prepay information, technology, and rules
 - Identify actions taken by customers to reduce electricity consumption (including behavior changes and equipment purchases), and how prepay information influenced these actions.

Measurement and Verification Reporting Schedule

PEC intends to file annual reports to update the Commission on program activity, including the number of participating customers and the estimated kW and kWh impact of the program. Customer surveys will begin at approximately the time of participant recruitment and will be repeated part way through Year 1 and again at the end of Prepay. The statistical billing analysis will begin after approximately six months of program implementation. A tentative schedule of EM&V activities and deliverables is provided in the table below. The timeline is subject to

change and is predicated upon regulatory approval being received that would allow for the program to commence no later than April 2012.

Year 1 EM&V Schedule

Activity	Approximate Timeframe
Prepay review	Q1 2012
Impact Analysis:	
Selection of control group	Q4 2012
Conduct billing data analysis	Q4 2012
Draft impact findings	Q1 2013
Process Evaluation:	
Staff and contractor interviews	Q1 2012
Customer surveys	Q1 2012, Q4 2012
Survey data analysis	Q2 2012, Q4 2012
Report	Q1 2013

Year 2 EM&V Schedule

Activity	Approximate Timeframe
Full-year (12 months) analysis	Q2 2013
Full-year report	Q3 2013
End-of-Prepay surveys and analysis	Q4 2013/Q1 2014
End-of-Prepay report	Q2 2014

Methodologies Used to Produce Impact Estimates

Please refer to section Measurement and Verification methods which provides information regarding the methodologies used to produce impact estimates associated with this Program.

Independent Third Party Verification

Navigant Consulting is the third party entity engaged to provide EM&V services.

Cost Recovery Mechanism

The allocated cost associated with the prepay program will be recovered in the annual cost-recovery rider on a uniform cents per kWh basis applicable to the benefited rate classes.

Tariffs

PEC's proposed Residential Service - Prepay Pilot Program Schedule RPP-18 Rider (Experimental) is attached in Appendix B.

Utility Incentives

PEC is requesting the recovery of the measured and verified net lost revenues associated with Prepay if (1) it is ultimately determined that the pilot program was cost effective; and (2) subsequent to the final EM&V of Prepay, PEC implements Prepay as a fully-deployed EE program after appropriate South Carolina Office of Regulatory Staff's review and Commission approval. PEC proposes to defer the recovery of Prepay's net lost revenues until such time as EM&V results become available. For each Prepay vintage associated with the program, recoverable net lost revenues will be limited to thirty-six months. The thirty-six month term for recoverable net lost revenues will cease upon (a) the implementation of a Commission approved alternate recovery mechanism, or (b) the implementation of new rates approved by the Commission in a general rate case or comparable proceeding to the extent the rates are set to explicitly or implicitly recover the net lost revenues associated with Prepay.

PEC is not requesting a Program Performance Incentive ("PPI") for the Prepay pilot program.

Request to Waive Regulations

The bill payment flexibility sought under Prepay does not strictly conform to a number of existing Commission Rules and Regulations (hereinafter referred to as “Regulations”). Therefore, as part of the process of requesting regulatory approval of Prepay, PEC hereby requests that the Public Service Commission of South Carolina (“the Commission”) waive all (or specified portions) of the following existing Regulations, for the stated reasons:

Regulation 103-321. Meter Reading.

PEC requests waiver of this Regulation in its entirety. This Regulation presently states that *“Unless extenuating circumstances prevent, meters shall be read and bills rendered on a monthly basis not less than twenty-eight days or more than thirty-four days.”* PEC will not render traditional monthly after-the-fact paper bills to Prepay participants. Prepay participants will have the ability, through multiple means (including phone calls, email, IVR, in-home display devices, and text messaging) to view their daily charges. PEC will generate a normal bill internally for reconciliation purposes and will maintain these records in accordance with Regulation 103-311, but such bills will not be sent to the participant.

Regulation 103-339. Customer Billing.

- PEC requests waiver of the entirety of Subsection 2, Bill Forms. As stated in the requested waiver of 103-321 above, PEC will not render traditional monthly after-the-fact hard-copy bills to Prepay participants. Prepay participants will have the ability, through multiple means (see waiver of 103-321 above), to view their daily charges. Prepay participants have round-the-clock electronic access to their account and can make payments virtually instantaneously in whatever amount they desire, by phone (credit or debit card); internet (via the participant’s computer or internet-enabled mobile device); or at any MoneyGram location. PEC will generate a normal bill internally for reconciliation purposes and will maintain these records in accordance with Regulation 103-311, but such bills will not be sent to the participant.
- PEC requests waiver of Subsection 5, Charges for Discontinuance and Reconnection, which states in part: *“...the electrical utility may make reasonable charges, to be approved by the Commission, for the cost incurred in discontinuing the service and reconnection and require payment for service billed and for service used which has not previously been billed.”* PEC has tariff provisions on file with and approved by the Commission reflecting such charges, but those charges will not be applicable to Prepay participants, who will not be charged for discontinuation of service or reconnection.
- PEC requests waiver of Subsection 6, Estimated Bills. This Regulation states that a utility *“shall not send a customer an estimated bill, except for a good cause...”* and *“In no instance will more than one estimated bill be rendered within a sixty-day period...”* As stated in the requested waiver of 103-321 above, PEC will not render traditional monthly after-the-fact hard-copy bills to Prepay participants, for actual or estimated meter readings. Prepay participants will have the ability, through multiple means, to view their actual daily charges. Because customers will be paying in

advance for service, as opposed to paying after the fact for usage already incurred, the concept of estimated bills is not applicable. It should be noted, however, that unusual circumstances such as a cellular provider experiencing a widespread outage could result in an estimated daily reading; but since the next actual daily reading will correct any inaccuracies of the previous day's estimated daily reading, this will not impact the customer's billing. In any event, PEC will not disconnect the customer's service based on an estimated reading.

Regulation 103-340. Adjustment of Bills.

- PEC requests waiver of Subsection 5, which addresses Equal Payment Plans. Such plans will not be offered to Prepay participants because, as noted before, PEC will not be rendering bills for previously-incurred usage based upon monthly meter readings. Prepay participants will, in effect, have freedom to tailor their own equal payment plan by, for instance, applying a fixed, pre-determined amount to their Prepay account at the start of each month, then tracking their daily usage to see whether it will be necessary to add an additional amount to ensure service through the first of the following month.
- PEC requests waiver of Subsection 6(c), which states: *"The customer shall be allowed to pay the deficient amount, in equal installments added to the regular monthly bills, over the same number of billing periods which occurred during the interval the customer was subject to pay the deficient amount."* In the event a Prepay customer is undercharged due to human or machine error, the amount of the adjustment will be applied to the customer's account, and 25% of each payment made by the customer will be allocated to the adjustment. Again, there will be no monthly bills, and because the customer directly controls how much money they apply to the account and how often, the concept of equal installments paid over the same number of months as the debt was incurred will not be applicable.
- PEC requests waiver of a portion of Subsection (d)(2): *"A customer's bill may be adjusted to reflect normal usage should any tampering reflect other than normal meter readings and the customer's bill may include the establishment of a deposit in accordance with the commission's regulation 103-332 et seq."* The term "customer's bill" is no longer applicable because, as stated elsewhere in these waiver requests, Prepay customers will not receive a monthly hard-copy bill for usage already incurred. This subsection will be applicable to Prepay customers if the term "customer's bill" is replaced by "customer's account." PEC will not charge any security deposits to Prepay customers, even if the meter has been tampered with.
- PEC requests waiver of Subsection (d)(2)(g): *"For nonpayment of bill for service rendered provided that the electrical utility has made reasonable efforts to effect collection and has complied with the provisions of regulation 103-352."* Again, there will be no monthly bills rendered under Prepay, nor will PEC be involved in collection activities for delinquent bills or debts arising from non-payment for energy usage previously incurred.

Regulation 103-352. Procedures for Termination of Service.

- PEC requests waiver of Subsection (a) of this Regulation in its entirety. This subsection addresses a written notice of termination to customers subject to termination of service, to be mailed *"Not less than ten (10) days prior to termination of service..."* and the required contents of that notice. Prepay participants will not

receive this 10-day notice. Instead, they will begin receiving daily alerts 10 days before the projected day upon which their Prepay account will reach zero, via one or more electronic media of their choice (including phone calls, email, IVR, in-home display devices, and text messaging), stating how much energy remains in their account and urging them to add funds to their account to avoid service interruption. These alerts will not contain information required by Regulation 103-352(a) relative to 10-day mailed “final notices.” However, the information regarding the participant’s recourse to contact the ORS and the circumstances under which service to Prepay participants may be disconnected will be available on PEC’s website and will be provided to all Prepay participants in the introductory materials provided to each participant. Regarding Regulation 103-352(a)(3)(a), customers who qualify as a special needs account customer will not be eligible for Prepay; however, PEC will continue to publish its procedures for termination of service on its website, which will also contain similar information relative to Prepay. The December to March disconnection moratorium (103-352(a)(3)(b)) for customers for whom “*termination of electric service would be especially dangerous to such person’s health*” will not be available to Prepay participants. PEC will, however, defer disconnections on a day-by-day basis in the event of extreme hot or cold weather (in accordance with disconnect procedures filed with the ORS in 2006), the same as with all other South Carolina PEC customers.

- PEC requests waiver of Subsection (b) of this Regulation in its entirety. This subsection states: “*Not more than two business days prior to termination of service, the electrical utility shall make reasonable efforts by telephone or in person to contact the customers that are subject to termination of service to notify him that his service is subject to termination for non-payment. Alternatively, not more than three business days prior to termination of service, the electrical utility shall notify the customer by mail that he is subject to termination of service for non-payment. The electrical utility shall maintain records of the efforts made to contact such customers.*” Prepay participants will not be contacted in the manner prescribed by Subsection (b). Instead, they will begin receiving daily alerts 10 days before the projected day upon which their Prepay account will reach zero, via one or more electronic media of their choice (including telephone), stating how much energy remains in their account and urging them to add funds to their account to avoid service interruption.
- PEC requests waiver of Subsection (c) in its entirety. This subsection requires utilities to “*provide for the arrangement of a deferred payment plan to enable a residential customer to make payment by installments where such customer is unable to pay the amount due for electrical service,*” and specifies how the utility shall administer such installment plans by adding a portion of the customer’s debt to future monthly bills. Deferred payment plans will not be applicable to Prepay participants because, as noted before, PEC will not be rendering monthly bills for previously-incurred usage based upon monthly meter readings. Because Prepay participants will pay for their usage before it is incurred, they will be protected from accumulating balances for failure to pay for previously-incurred usage. They will be able to prepay for electricity in increments that meet their financial needs or constraints, and will be

able to track their daily usage and thus decide when to add an additional amount to their Prepay account to avoid service interruption.

- PEC requests waiver of the following portion of Subsection (d): *"...or to make arrangements for the satisfaction of the balance of his account through a deferred payment plan..."* As explained in the requested waiver of Regulation 103-352(c) above, PEC will not be offering deferred payment plans to Prepay participants. However, when a Prepay participant informs PEC that he is having difficulty paying enough to avoid service interruption, PEC will advise the customer that he may wish to call the local social service agency for assistance (as it presently does with all customers). This information will also be available on PEC's website and will be provided to all Prepay participants in the introductory materials provided to each volunteer participant.
- PEC requests waiver of Subsection (e), which requires the utility to *"maintain a record of all deferred payment plans established with customer subject to termination for a period of two years."* As explained in the waiver to Regulation 103-352(c) above, deferred payment plans will not be applicable to Prepay customers. However, as noted earlier, PEC does maintain customer records in accordance with the 2-year provision of Regulation 103-311 and will continue to maintain those records for all customers, including Prepay participants. Those customer records will contain records of any deferred payment plans established before the customer enrolled in Prepay.
- PEC requests waiver of Subsection (f) in its entirety. This subsection requires utilities to *"provide a copy of the termination notice to any third party identified by the customer upon establishment of the service account or at any time thereafter."* As explained earlier, Prepay participants will not receive written disconnect notices, but will receive daily alerts on various media of their choice for the last 10 days before the projected date upon which the balance on their Prepay account is projected to reach zero. Third-party notification of impending disconnection will not be offered in this Program. However, third parties provided with the customer's account number will be able to make payments on the customer's account from anywhere in the country, by phone (credit or debit card); or at any MoneyGram location.
- PEC requests waiver of Subsection (g), which specifies that *"Electric service may be terminated only on Monday through Thursday between the hours of 8:00 a.m. and 4:00 p.m., unless provisions have been made for the availability of the acceptance of payment and the reconnection of service. Electric service may not be terminated on the day preceding any day on which the electric utility's collection offices are closed, unless provisions have been made for the availability of the acceptance of payment and the reconnection of service. All employees of electrical utilities assigned to terminate service shall be authorized to accept payment from customers subject to termination of service or in lieu thereof, at the electrical utility's option, allow such customer at least one full working day beyond the initial date set for termination the opportunity to make satisfactory arrangements on the account at the offices of the electrical utility..."* Prepay participants will be automatically disconnected at approximately 10 a.m. when a negative balance exists, regardless of the day of the week, holidays, etc. Prepay participants have round-the-clock electronic access to their account and can make payments virtually instantaneously in whatever amount

they desire, by phone (credit or debit card); internet (via the participant's computer or internet-enabled mobile device); or at any MoneyGram location. Because there will be no need for a utility employee to visit the premise when service is disconnected, the requirement for employees to accept payment from Prepay participants (or grant them an extra day to make payment) will not be applicable.

PEC's proposed Residential Service - Prepay Pilot Program Schedule RPP-18 Rider
(Experimental) ("Tariff")

RESIDENTIAL SERVICE - PREPAY PILOT PROGRAM
SCHEDULE RPP-18

AVAILABILITY

This Schedule is available at Company's sole option on an experimental basis to a maximum of 1,000 residential customers, in South and North Carolina combined, in designated areas where Company offers prepaid billing service. Designated areas include Florence (zip codes: 29501, 29505). The electric service provided to Customer is to be used for domestic purposes in and about a residential dwelling unit, including electric service used on a farm and in the preparation of the farm's products for market. A residential dwelling unit served under this Schedule may be used as a boarding house, fraternity house, tourist home, or like establishment, provided such residential dwelling unit is one which ordinarily would be used as a private residence.

Service under this Schedule is not available: (1) for processing (or handling) for market of farm products produced by others; (2) for separately metered domestic or farm operations; (3) for individual motors in excess of 10 HP (in exceptional cases, motors as large as 15 HP may be served upon approval by the Engineering Department); (4) for commercial or industrial purposes; (5) in conjunction with Residential Service Energy Conservation Discount Rider RECD, Meter-Related Optional Programs Rider MROP, or Net Metering for Renewable Resource Rider NM; (6) for Customer with special termination codes limiting service termination, including but not limited to households utilizing medical life support equipment and households qualifying for the December-March winter moratorium on service termination; (7) to Customer who has designated a third party to receive notification of any pending termination notices; (8) in those areas where Company does not offer prepaid power service; (9) for Customer with greater than one month arrearage at the time of application; (10) for service in conjunction with Company's non-regulated products or services; (11) for service in conjunction with Area Lighting Service Schedule ALS; (12) for other uses not specifically provided for by the provisions herein; or (13) for resale service. This Schedule is also not available to residents served under a Landlord Agreement. Customer may not participate in the Equal Payment Plan, bank draft program, e-bill program, or an installment payment plan while participating under this Schedule.

This Schedule is available to customers served under the Residential Service Load Control Rider LC-SUM with applicable billing credits being applied to the prepay account. Service under this Schedule shall terminate on December 31, 2014, unless extended or terminated by order of the Public Service Commission of South Carolina.

APPLICABILITY

This Schedule is applicable to all electric service of the same available type supplied to Customer's premises at one point of delivery through one prepaid metering system.

TYPE OF SERVICE

The types of service to which this Schedule is applicable are alternating current, 60 hertz, single-phase 3 wires at Company's standard voltages of 120/240 volts served from a self-contained meter base of 200 amperes with metering capable of rendering prepaid service.

MONTHLY AND DAILY RATES

A. Basic Facilities Charge: \$6.50 per month (\$0.21355 per day)

B. Kilowatt-Hour Charge:

Billing Period of Rendered During July –October	9.868¢ per kWh
Billing Period of Rendered During November – June	9.349¢ per kWh

C. Other Charges:

In the event Customer receives service under Street Lighting Service (Residential Subdivisions) Schedule SLR, such monthly charges, plus applicable SC Franchise Tax, shall be divided by 30.4, rounded to 5 significant digits, and billed on a daily basis consistent with the billing of the Basic Facilities Charge.

D. Monthly Reconciliation:

Monthly billing will be calculated using the above rates and conventional billing practices. Following calculation of the monthly bill, an adjustment will be made to the prepay account for any difference between the calculated monthly bill and the bill calculated at the daily rates stated above.

FUEL AND DSM/EE ADJUSTMENT

Fuel and related environmental costs as set forth in Rider No. 39B and demand side management and energy efficiency costs as set forth in Rider DSM/EE-3 are included in the above charges and are subject to adjustment by order of the Public Service Commission of South Carolina. The rates applicable under Rider DSM/EE-3 are provisional and are therefore subject to true-up with interest upon further review by the Office of Regulatory Staff and the Public Service Commission of South Carolina.

SALES AND FRANCHISE TAX OR PAYMENT IN LIEU THEREOF

To the above charges will be added any applicable South Carolina sales tax, and for those customers within any municipal or other local governmental jurisdiction, an appropriate amount to reflect any franchise fee, business license tax, or similar percentage fee or tax, or charge in lieu thereof imposed by such entity.

PAYMENTS AND BILLING

Prepaid electric service shall be purchased only at locations designated by Company. Customer is responsible for any fees or other charges associated with the selected payment option. Payments will be accepted at all MoneyGram locations. Payments may also be made via credit or debit card, for single or recurring payments, via telephone, the internet or an internet-enabled mobile device; however, a \$1 per transaction fee will be immediately deducted by Company for payments using credit or debit cards. If service has been disconnected, Customer must purchase a minimum of 2 days of power, based upon Customer's average consumption, to have service restored. Reconnection of service is expected within no greater than 2 hours of receipt of payment when using these payment options.

Customer should not utilize other payment methods, including but not limited to paystations, EasyPay or US Postal Service, as such methods will cause substantial delays in posting payments to Customer's meter and may result in disconnection until the payment posts.

If Customer incurs a charge, including but not limited to an outstanding balance following disconnection or a Service Charge, it will be immediately deducted from Customer's payment.

In the event Customer has an indebtedness with Company for electric service previously provided, twenty-five percent (25%) of payments will be applied to any arrearage that exists at the time prepay service is initiated until the indebtedness is satisfied. In the event Customer has an electric service deposit with Company at the time Customer elects to take service under this Schedule, the deposit, plus interest, shall be posted to the prepaid account once all outstanding indebtedness for prior service is satisfied, unless otherwise directed by Customer.

DISCONNECTION AND RECONNECTION OF SERVICE

At such time as the value of the electric service consumed equals or exceeds the prepaid purchases, electric service will be disconnected by the prepaid metering system until additional purchases are made. Disconnection will occur at approximately 10:00 a.m. when a negative balance exists and may occur on holidays or weekends. Daily charges associated with the Basic Facilities Charge and Schedule SLR, if applicable, will continue to accrue during the period of service disconnection and will be immediately deducted from the next payment.

CONTRACT PERIOD

The initial Contract Period for service under this Schedule shall be for thirty (30) days. A customer may request termination of service under this payment option at any time following expiration of the initial Contract Period with any outstanding payment balance being refunded after all indebtedness is satisfied.

REAL TIME USAGE INFORMATION AND IN-HOME DISPLAYS

Consumption, billing information and other corporate communications such as bill inserts will be communicated via an internet/web portal, electronic mail messages, text messages, and telephone, as appropriate and designated by Customer. Upon request, an optional in-home display device will be available at no charge to the first 250 customers requesting this device in lieu of other methods of contact. Customer shall select one or more alert notifications regarding program notices, payment notices or balance notices via their designation communication option(s). Company will not mail or deliver regular monthly bill payment and consumption information to Customer.

In the event the in-home display device is damaged by acts of Customer or others, Customer shall pay a replacement charge of \$190. Correspondingly, if Company requests and Customer fails to return the in-home display device to Company at such time as Customer discontinues receiving service under this Schedule, Customer shall also pay a charge of \$190 to Company. Company reserves the right, in its sole discretion, to transfer ownership of the device to Customer at the end of the pilot.

GENERAL

Service rendered under this Schedule is subject to the provisions of the Service Regulations of Company on file with the Public Service Commission of South Carolina. The Public Service Commission of South Carolina has waived the application of certain Regulations regarding meter reading, disconnection of service, bill presentation and notice requirements due to the unique nature of Prepay. In case of conflict between any provisions of this Schedule and the Service Regulations, the provisions of this Schedule and the Commission waiver of its Regulations shall apply.

Effective for prepaid service and purchases on and after _____, 2012

SCPSC Docket _____, ~~2009-190-E~~, Order No. _____